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# UTILITY PATENT APPLICATION TRANSMITTAL

(Only for new nonprovisional applications under 37 C.F.R. § 1.53(b))

Attorney Docket No: 12672US01  
First Inventor or Application  
Identifier: Robert Carey  
Title: Techniques of Selecting Securities For a Portfolio Using Buyback  
Ratio and Dividend Yield  
Express Mail Label No: EL282691932US

APPLICATION ELEMENTS		ADDRESS TO: Assistant Commissioner of Patents Box Patent Application Washington DC 20231	
1. <input checked="" type="checkbox"/> Fee Transmittal Form*		5. <input type="checkbox"/> Microfiche Computer Program (Appendix)	
2. <input checked="" type="checkbox"/> Specification Total Pages 13 Preferred Arrangement: Title, Cross Ref., St. Re Fed. Research, Background, Summary, Description Of Drawings, Detailed Description, Claims, Abstract		6. Nucleotide and/or Amino Acid Sequence Submission (if applicable, all necessary)	
		a. <input type="checkbox"/> Computer Readable Copy	
3. <input checked="" type="checkbox"/> Drawings Total Sheets 2		b. <input type="checkbox"/> Paper Copy (identical to computer copy)	
4. Oath or Declaration Total Pages		c. <input type="checkbox"/> Statement verifying identity of above copies.	
a. <input type="checkbox"/> Newly executed (original or copy)		ACCOMPANYING APPLICATION PARTS	
b. <input type="checkbox"/> Copy from a prior application (37 C.F.R. § 1.63(d)) (for continuation/ divisional with Box 16 completed)		7. <input type="checkbox"/> Assignment Papers (Cover sheet & document(s))	
i. <input type="checkbox"/> DELETION OF INVENTOR(S) Signed statement attached deleting inventor(s) named in the prior application, see 37 C.F.R. §§ 1.63(d)(2) and 1.33(b) *Note: For Items 1 & 13: In order to be entitled to pay small entity fees, a small entity statement is required. (37 C.F.R. § 1.27), except if one filed in a prior application is relied upon (37 C.F.R. § 1.28).		8. <input type="checkbox"/> 37 C.F.R. § 3.73(b) Statement (when there is an assignee) <input type="checkbox"/> Power of Attorney	
		9. <input type="checkbox"/> English Translation Document (if applicable)	
		10. <input type="checkbox"/> Information Disclosure Statement (IDS)/PTO-1449 <input type="checkbox"/> Copies of IDS Citations	
		11. <input type="checkbox"/> Preliminary Amendment	
		12. <input type="checkbox"/> Return Receipt Postcard (MPEP 503)	
		13. <input type="checkbox"/> Small Entity Statement(s)* <input type="checkbox"/> Statement filed in prior application. Status still proper and desired.	
		14. <input type="checkbox"/> Certified Copy of Priority Document(s)	
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16. If a CONTINUING APPLICATION, check appropriate box, and supply the requisite information below and in a preliminary amendment:  
☐ Continuation ☐ Divisional ☐ Continuation-in-part (CIP) of prior application /  
 Prior application information: Examiner \_\_\_\_\_ Group Art Unit: \_\_\_\_\_  
 For CONTINUATION or DIVISIONAL APPS only: The entire disclosure of the prior application, from which an oath or declaration is supplied under Box 4b, is considered a part of the disclosure of the accompanying continuation or divisional application and is hereby incorporated by reference. The incorporation can only be relied upon when a portion has been inadvertently omitted from the submitted application parts.

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## TITLE OF THE INVENTION

Techniques Of Selecting Securities For A Portfolio Using Buyback  
Ratio And Dividend Yield

## BACKGROUND OF THE INVENTION

5           The present invention generally relates to techniques for selecting a securities  
portfolio for investment. More particularly, the present invention relates to an investment  
strategy for selecting a securities portfolio based upon two criteria: dividend yields and  
buyback ratios. One investment objective of the present invention is to provide an above-  
average total return from the portfolio through investing in stocks with high dividend  
10       yields and high buyback ratios.

          A unit investment trust (UIT) is a professionally selected, diversified portfolio of  
stocks, bonds, or other securities that remains as a fixed portfolio throughout the life of  
the trust. Investors in a UIT purchase units, which represent an undivided ownership in  
the entire portfolio. Unlike mutual funds, in which the portfolio is actively managed and  
15       traded and continuously changes, UITs generally remain fixed for a predetermined period  
of time. Portfolios are designed to fill a variety of investment needs and risk tolerance  
levels. They fall into primarily two categories, equity and fixed income.

          Equity portfolios are typically classified as either strategy portfolios or sector  
portfolios. Strategy portfolios follow predetermined investment criteria for selecting the  
20       stocks for the portfolio. All strategies have three inherent qualities:

1.       Simplicity: The strategies seek to out-perform specified indices by selecting portfolios using sound, fundamental screens that reflect the historical behavior of the securities.

2.       Resilience: The strategies must show back-tested results and have staying power even through bear markets.

3.       Discipline: The strategies dictate which stocks are chosen for the portfolio; no emotional judgments are made and the strategies always remain the same.

Heretofore, investment strategies have been illustrated in U.S. Patent No.

5,978,778 issued to O'Shaughnessy on November 2, 1999 and U.S. Patent No. 5,132,899 issued to Fox on July 21, 1992. However, these investment strategies are not the same as the method of the present invention.

#### SUMMARY OF THE INVENTION

A first embodiment of the invention is useful for selecting securities from a group of available securities for an investment portfolio. In such an environment, the first embodiment comprises collecting the dividend yields and buyback ratios of the group of available securities. At least some of the available securities are ranked according to predetermined criteria comprising a predetermined relationship between the collected dividend yields and the collected buyback ratios to form a group of ranked securities. At least some of the ranked securities are selected to form a group of selected securities.

A second embodiment of the invention is useful for selecting securities from a group of available securities having dividend yields and buyback ratios for an investment

portfolio. The second embodiment comprises a memory storing the dividend yields and  
buyback ratios of the group of available securities. A processor is programmed to rank at  
least some of the available securities according to predetermined criteria comprising a  
predetermined relationship between the collected dividend yields and the collected  
5 buyback ratios to generate a group of ranked securities. An output unit indicates in  
human readable form at least the ranked securities.

By using the foregoing techniques, dividend yields and buyback ratios may be  
used in an investment strategy attempting to obtain above-average total returns. These  
and other features of the present invention are discussed or are apparent in the following  
10 detailed description of the preferred embodiments of the invention.

#### BRIEF DESCRIPTION OF THE DRAWINGS

Figure 1 is a schematic flow chart depicting the steps in an exemplary method of  
selection of securities.

Figure 2 is a schematic block diagram of a computer system embodying one form  
15 of the invention.

#### DETAILED DESCRIPTION OF THE PREFERRED EMBODIMENTS

The security selection techniques disclosed in this specification may be used in an  
investment strategy which seeks to outperform a typical index by adhering to a  
disciplined investment process. The first step in this strategy is defining the universe of  
20 securities for potential investment. In one embodiment of the present invention, the  
technique begins with using a database of stocks of companies listed in the Dow Jones

Industrial Average ("DJIA"), which consists of 30 U.S. stocks chosen by the editors of *The Wall Street Journal* as being representative of the broad market and of American industry. However, the present invention is not intended to be limited to just the DJIA, or even to stocks; any type of security meeting the selection criteria may be utilized.

- 5 Moreover, the present invention is not limited to any particular database of securities; any group of securities, including one developed by the user of the present technique, could be substituted for the DJIA.

The present techniques enable selection of securities from the group of securities based upon criteria including dividend yields and buyback ratios. By looking at dividend  
10 yields, the preferred embodiment seeks to uncover stocks that may be out of favor or undervalued. Regular dividends are common for established companies and have typically accounted for a large portion of the total return on stocks. Historically, companies rewarded shareholders in the form of dividend payments.

The preferred embodiment also looks at buyback ratios. More recently, many  
15 companies have turned to stock reduction programs as a tax efficient way to bolster their stock prices and reward shareholders. Companies which have reduced their shares through a share buyback program may provide a strong cash flow position and, in turn, high quality earnings. Buyback ratio is determined by subtracting one from the ratio of a company's shares of common stock outstanding 12 months prior to the initial date of  
20 deposit divided by a company's shares of common stock outstanding as of the business day prior to the initial date of deposit.

Referring to Figure 1, a stock database 11 is formed by collecting data using, for example, a keyboard 50 of a conventional personal computer 20 (Figure 2). The data collection includes the names of, or a representation of, the thirty (30) stocks that make up the DJIA. The names of the 30 stocks, or their symbols or other representative indicia, are included in the database 11 (Figure 1) which is stored in a conventional computer memory 30 (Figure 2).

In addition to the identity of the 30 stocks, other data related to each stock may also be stored in the database 11 and memory 30 in association with its respective stock name. Such information may include (1) dividend yield and (2) buyback ratio.

In the step indicated by the diagram block 13 (Figure 1), the stocks in the database 11 are ranked by any conventional means, such as by sorting or organizing, according to the magnitude of the sum of each stock's dividend yield and buyback ratio. The sorting may be done by organizing the stocks in descending order of these sums. The ranked stock names are written to File A, as shown in the diagram block 15. The ranking is executed by a processor 40 of computer system 20. Processor 40 may be a microprocessor, microcontroller or any integrated circuit capable of logical and arithmetic operations.

In addition to buyback ratio and dividend yield, various criteria may be used to rank the stocks, such as capitalization. However, in the preferred embodiment, only the dividend yield and buyback ratio for each stock are used for ranking. That information may be initially stored in database 11 and memory 30.

The results of the ranking are sent to a conventional output device, such as display monitor 60 having a display face 70. Alternatively, the results may be printed by a printer (not shown). The input and display process may be aided by a conventional computer mouse 80.

5           After File A has been completed, the step indicated by diagram block 17 is performed in which a desired number (for example, 10) of stocks from File A with the highest combined dividend yields and buyback ratios are selected. This part of the process may or may not be performed by computer system 20. Since the stocks are sorted in File A in descending order of the sum of each stock's dividend yield and  
10   buyback ratio, this selection is performed by identifying the first 10 stocks in the ordered list. As will suggest itself, other modes of selection may be used.

The identities of those 10 stocks are stored in File B as shown at diagram block 19. As understood, File B may be a file different from File A, or non-selected stocks in File A may be deleted to form File B. File B also may be stored in memory 30.

15           A computer program capable of executing the steps described in connection with Figure 1 may be stored in memory 30 and on a conventional computer readable medium, such as a floppy disk 90 (Figure 2) or a CD-ROM. Files A and B also may be stored on such medium.

In an exemplary embodiment, a portfolio of the top 10 stocks of File B will  
20   represent one series of a unit investment trust. With the deposit of the selected shares of stock, a percentage relationship among the securities in the trust's portfolio is established. In an exemplary embodiment, the percentages of stock holdings in the portfolio will be

approximately equal on the initial date of deposit. Since the prices of the selected securities will fluctuate daily, the ratio of securities in the trust, on a market value basis, will also change daily.

The trust will terminate on a mandatory termination date, which will typically be approximately 13 months from the initial date of deposit. Twelve-month termination dates are also contemplated. However, the duration of the investment vehicle is not limited to any particular length of time.

Some possible features and benefits of such a unit investment trust or other pooled vehicle or investment account include (although these are not essential features of the present invention): immediate liquidity, in-kind distribution, low expenses, a dividend reinvestment option, and an exchange option. The present techniques allow a purchaser to acquire a quality portfolio of attractive common stocks in one convenient purchase.

The present invention is not limited to the selection of securities for funding a unit investment trust. Securities may be selected for funding any type of pooled investment vehicle or investment account. The present invention could also be used in connection with variable annuities, open-ended mutual funds, etc.

Price volatility is a potential risk factor relevant to a unit investment trust selected pursuant to the present method. Since the trust invests in common stocks of U.S. companies, the value of the trust's units will fluctuate with changes in the value of these common stocks. Common stock prices fluctuate for several reasons, including changes in investors' perceptions of the financial condition of an issuer or the general condition of the relevant stock market, or when political or economic events affecting the issuers



occur. Because the trust would not be managed, stocks would not be sold in response to or in anticipation of market fluctuations, as is common in managed investments. The present techniques may use dividend yield as part of its selection criteria, which is a contrarian strategy in which the securities selected share qualities that have caused them to have lower share prices or higher dividend yields than other common stocks in their peer group.

The use of dividends also presents a risk to an investor. There is no guarantee that the issuers of the securities will declare dividends in the future or that if declared they will either remain at current levels or increase over time.

From time to time, various legislative initiatives are proposed in the United States and abroad which may have a negative impact on certain of the companies represented in the trust. In addition, litigation regarding any of the issuers of the securities or of the industries represented by these issuers, may negatively impact the share prices of these securities. The impact of any pending or threatened litigation on the share prices of the securities cannot be predicted.

In an exemplary embodiment, the following Table would illustrate one possible selected portfolio:

TABLE

Number of Shares	Issuer of Security	% of Aggregate Offering Price	Market Value per Share (\$)	Cost of Securities to Trust (\$)	Current Dividend Yield (%)
245	AlliedSignal Inc.	10	60.500	14.823	1.12
359	The Boeing Company	10	41.313	14.831	1.36
270	Caterpillar Inc.	10	55.000	14.850	2.36
224	Eastman Kodak Company	10	66.438	14.882	2.65
191	Exxon Corporation	10	77.875	14.874	2.26

208	General Motors Corporation	10	71.250	14.820	2.81
155	International Business Machines Corporation	10	95.875	14.861	0.50
196	Merck & Co., Inc.	10	75.938	14.884	1.53
107	J.P. Morgan & Company, Inc.	10	139.313	14.906	2.84
591	Philip Morris Companies, Inc.	10	25.125	14.849	7.64

While particular elements, embodiments and applications of the present invention have been shown and described, it is understood that the invention is not limited thereto since modifications may be made by those skilled in the art, particularly in light of the foregoing teaching. It is therefore contemplated by the appended claims to cover such modifications and incorporate those features which come within the spirit and scope of the invention.

What is claimed is:

1. A method for selecting securities from a group of available securities for an investment portfolio comprising:

collecting the dividend yields and buyback ratios of said group of available securities;

5 ranking at least some of the available securities according to predetermined criteria comprising a predetermined relationship between said collected dividend yields and said collected buyback ratios to form a group of ranked securities;

selecting at least some of the ranked securities to form a group of selected securities.

2. The method of claim 1 wherein said group of available securities comprises the 30 stocks that make up the Dow Jones Industrial Average.

3. The method of claim 1 wherein said predetermined relationship comprises the sum of said collected dividend yields and said collected buyback ratios.

4. The method of claim 1 wherein said predetermined criteria consist only of said predetermined relationship between said collected dividend yields and said collected buyback ratios.

5. The method of claim 1 wherein said selecting comprises selecting a predetermined number of said ranked securities.

6. The method of claim 5 wherein said predetermined number is 10 or less.

7. The method of claim 1 wherein said method further includes purchasing at least some of said group of selected securities to form a group of purchased securities.

8. The method of claim 7 wherein said method further includes creating a unit investment trust comprising said purchased securities.

9. The method of claim 8 wherein the percentages of said purchased securities holdings in said unit investment trust are approximately equal.

10. The method of claim 8 wherein said unit investment trust has a life of 13 months or more.

11. The method of claim 7 wherein said method further includes creating a pooled investment vehicle comprising said purchased securities.

12. The method of claim 7 wherein said method further includes creating a variable annuity comprising said purchased securities.

13. The method of claim 7 wherein said method further includes creating an investment account comprising said purchased securities.

14. A computer-readable medium bearing a computer program containing instruction steps such that upon installation of said computer program in a general purpose computer, the computer is capable of performing the method of claim 1.

15. Apparatus for selecting securities from a group of available securities having dividend yields and buyback ratios for an investment portfolio comprising:

a memory storing the dividend yields and buyback ratios of said group of available securities;

5 a processor programmed to rank at least some of the available securities according to predetermined criteria comprising a predetermined relationship between said collected dividend yields and said collected buyback ratios to generate a group of ranked securities; and

10 an output unit indicating in human readable form at least said ranked securities.

16. The apparatus of claim 15 wherein said group of available securities comprises the 30 stocks that make up the Dow Jones Industrial Average.

17. The apparatus of claim 15 wherein said predetermined relationship comprises the sum of said collected dividend yields and said collected buyback ratios.

18. The apparatus of claim 1 wherein said predetermined criteria consist only of said predetermined relationship between said collected dividend yields and said collected buyback ratios.

19. The apparatus of claim 15 wherein said processor selects a predetermined number of said ranked securities.

20. The apparatus of claim 19 wherein said predetermined number is 10 or less.

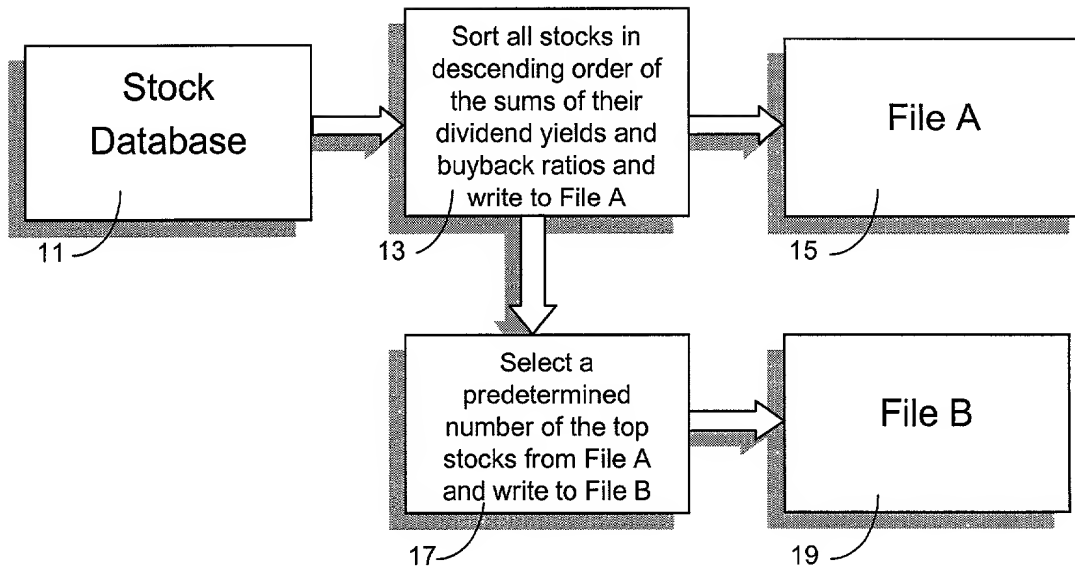
## ABSTRACT OF THE DISCLOSURE

A technique is provided for selecting a portfolio of securities for investment purposes. Specifically, the technique utilizes two types of securities-related data:

dividend yields and buyback ratios. A group of securities is ranked by the sum of each

5 security's dividend yield and buyback ratio; a number of the securities having the highest combined dividend yields and buyback ratios are selected for investment. The technique may include a computer for storing the buyback ratios and dividend yields.

**Figure 1**



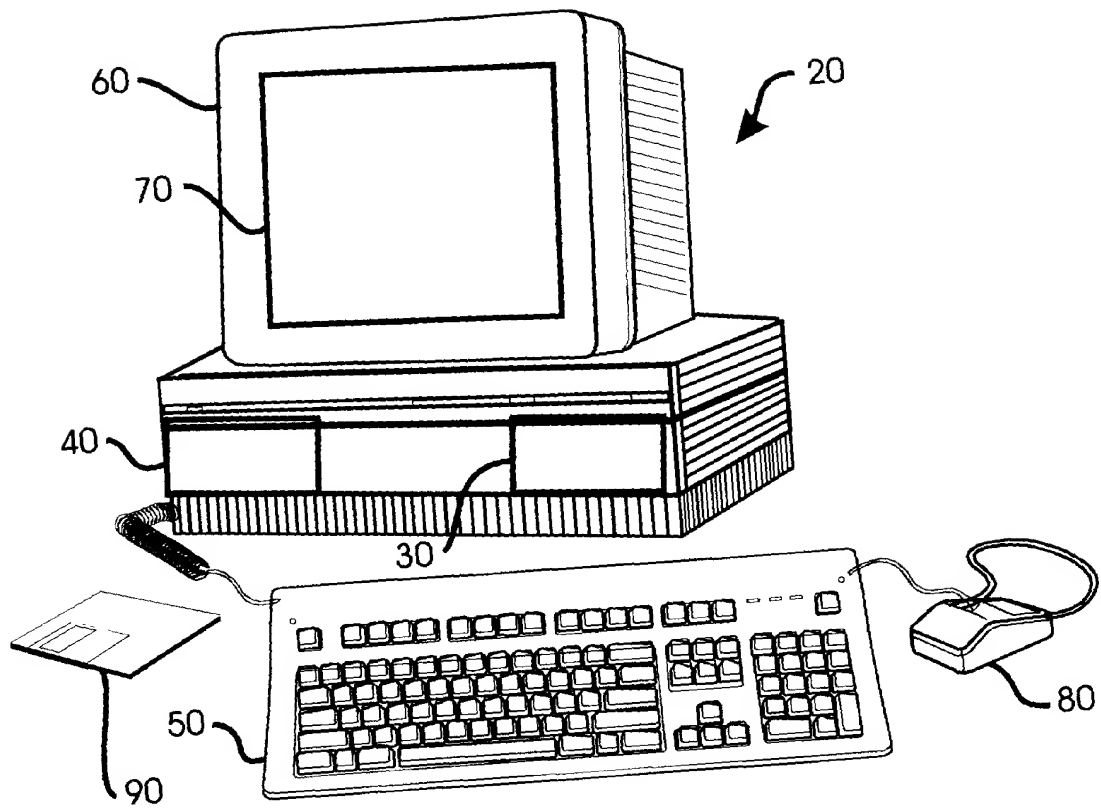


FIG. 2